

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE NORTH MCLEAN COUNTY)
WATER DISTRICT, OF MCLEAN COUNTY, KENTUCKY)
FOR (1) A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY, AUTHORIZING AND PERMITTING)
SAID WATER DISTRICT TO CONSTRUCT A WATER-)
WORKS CONSTRUCTION PROJECT, CONSISTING OF) CASE NO. 9322
ADDITIONS AND IMPROVEMENTS TO THE EXISTING)
WATERWORKS SYSTEM OF THE DISTRICT; (2) AP-)
PROVAL OF THE PROPOSED PLAN OF FINANCING OF)
SAID PROJECT; AND (3) APPROVAL OF THE IN-)
CREASED WATER RATES PROPOSED TO BE CHARGED)
BY THE DISTRICT TO CUSTOMERS OF THE DISTRICT)

O R D E R

IT IS ORDERED that North McLean County Water District ("North McLean County") shall file an original and ten copies of the following information with the Commission with a copy to all parties of record within 20 days from the date of this Order. North McLean County shall also furnish with each response the name of the witness who will be available at the public hearing for responding to questions concerning each area of information requested. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

It is the practice of this Commission to allow only known measurable increases to actual test year expenses which can be substantiated by appropriate documentation (invoices and/or other related material) supporting increases to the actual expense. The

Commission issued an Information Order directed to North McLean County on May 16, 1985 and North McLean County filed its response on June 19, 1985. The Commission, after reviewing the information submitted by North McLean County, is of the opinion that further documentation is needed on certain issues before they can be considered for rate-making purposes.

1. In its response to the Commission's request for information, North McLean County included a copy of a letter from the City of Calhoun which indicated that the cost of water would increase from 67¢ to 90¢ per thousand gallons effective June 1985. The Commission has made the following computation concerning the increased cost of water which is based on test period usage: (pg. 60 of Engr. Report)

19,101 gpd	X	365 days	=	6,971.865 M-gals.	X	90¢	=	\$6,274.68
"	X	"	=	"	X	67¢	=	4,671.15
Amount of Adjustment to test period expense								<u>\$1,603.53</u>

Do you agree with the above calculations of the Commission?

2. In the response to a request for an analysis of Maintenance of Mains, the Commission was furnished invoices of Wemhoener Water Works Supply Company totalling \$6,550 which pertain almost in total to the cost of meters and the necessary materials for the installation of the meters. Provide the following information concerning these purchases:

a. Should the \$6,550 or any major portion thereof be considered as an operating repair expense, or should it have been capitalized?

b. Does the \$6,550 represent the total purchases of meters and related materials during the test period?

c. Your response seems to indicate that meters are initially expensed and later capitalized. Please provide the journal entries recording the purchase of meters and related materials and the subsequent capitalization of these meters to plant in service. (If our assumptions are inappropriate please explain the appropriate transactions in full detail.)

3. In response to this Commission's request for information, North McLean County provided an analysis of Outside Services Employed which included the following fees being paid during the test period:

Charles Wible, Attorney	\$ 3,545.24
Kenneth Ragland, Attorney	3,052.41
Black and Veatch, Engineers	2,398.10
Chester Hoover, CPA - computer statements	450.00

(a) Will these fees recur each year?

(b) If any of the fees are non-recurring, should they be amortized or capitalized as appropriate overheads.

(c) Do the above mentioned payments represent fees for services rendered in the preparation of this application or the construction project. If so identify those costs. If not, supply full documentation related to these payments.

4. Furnish copies of invoices which represent insurance expense for the test period of \$1,823. The invoices must show the period of coverage on each insured item.

5. After reviewing the explanation of transportation expense in the area of allowing the commissioners and bookkeeper

50¢ per mile and other employees 35¢ per mile, the Commission requests North McLean County to provide the factors used to determine the above mileage rates. Please explain the substantial difference between these rates and the rate of 20¢ per mile allowable for tax purposes. Furthermore, have the commissioners considered purchasing a truck for the general use of the water district?

6. On page 10, line 50, the 1984 Annual Report of North McLean County shows other interest expense related to a bank loan of \$184. Is this a non-recurring item?

Done at Frankfort, Kentucky, this 22nd day of July, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Hemmick
For the Commission

ATTEST:

Secretary